

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

WESTERN MASSACHUSETTS ELECTRIC COMPANY

D.T.E. 06-35

TESTIMONY OF
ROBERT A. BAUMANN
ON BEHALF OF
WESTERN MASSACHUSETTS ELECTRIC COMPANY

March 31, 2006

THE COMMONWEALTH OF MASSACHUSETTS
BEFORE THE
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

WESTERN MASSACHUSETTS ELECTRIC COMPANY

TESTIMONY OF
ROBERT A. BAUMANN
D.T.E. 06-35

1 **Q. Please state your name, position and business address.**

2 A. My name is Robert A. Baumann. I am Director, Revenue Regulation & Load Resources for
3 Northeast Utilities Service Company (NUSCO), which provides centralized services to the
4 Northeast Utilities (NU) operating subsidiaries, including Western Massachusetts Electric
5 Company (WMECO or the Company), Public Service Company of New Hampshire (PSNH), The
6 Connecticut Light and Power Company, Yankee Gas Services Company, and Holyoke Water
7 Power Company. My business address is 107 Selden Street, Berlin, Connecticut.

8

9 **Q Please describe your present responsibilities as Director of Revenue Regulation and Load**
10 **Resources.**

11 A. I am responsible for directing the overall preparation and implementation of all Standard Offer
12 Service/Default Service (SOS/DS) and generation cost recovery mechanisms for the NU operating
13 companies. In addition, I have responsibility for all revenue requirement activities for PSNH.

1 **Q. Have you previously testified before the Department?**

2 A. Yes. I have testified on numerous occasions before the Department.

3

4 **Q. What is the purpose of your testimony?**

5 A. This testimony requests approval of the reconciliation of DS revenues and expense for the calendar
6 year 2005 which resulted in an under recovery of DS expenses. In addition, WMECO requests
7 recovery of the under recovery as part of the Transmission Charge (TC) reconciliation. In addition
8 I am providing support for the actual 2005 Independent System Operator- New England (ISO-NE)
9 expenses included in the Retail Transmission Tracker which is described further in the testimony
10 of Michael J. Mahoney.

11

12 **DS Reconciliation**

13 **Q. Have all previous SOS and DS reconciliations been approved by the D.T.E?**

14 A. No. The latest approval received from the Department was for the 2001 SOS and DS
15 reconciliations in D.T.E. 03-34. On March 31, 2005 the Company requested approval for recovery
16 of the 2002, 2003 and 2004 DS over or under collections and the 2002, 2003, 2004 and 2 months
17 ended February 28, 2005 SOS over or under collections in D.T.E. 05-10/ 04-40/ 04-109. The
18 Company is awaiting a decision from the Department in this Docket.

19

20 **Q. Please summarize the results of the 2005 DS Reconciliation as reflected in the attached**
21 **exhibit RAB-1.**

1 A. DS expenses exceeded DS revenues in 2005 by \$4,001,196. Interest of \$53,351 was accrued on
2 the outstanding balance for a total under collection of \$4,054,547 for the year. Please see Exhibit
3 RAB-1 for the derivation of these amounts.

4
5 **Q. How does the Company propose to recover this under collection?**

6 A. Consistent with our outstanding request in D.T.E. 05/10/ 04-40/ 04-109, WMECO proposes to
7 include the 2005 DS under collection in the TC reconciliation effective January 1, 2006. The
8 under collection will be amortized ratably over 2006.

9
10 **Q. Are there any other adjustments included in this filing associated with Default Service?**

11 A. No.

12
13 **ISO Expenses**

14
15 **Q. What is the basis for the ISO-NE expenses included in the Transmission Tracker on Exhibit**
16 **MJM-4 of the Pre-Filed Direct Testimony of Michael J. Mahoney?**

17 A. These expenses are billed to WMECO by the ISO-NE based on various FERC approved tariff
18 schedules as follows:

1

<u>Description</u>	<u>FERC Tariff</u>
ISO Schedule 1	FERC Tariff No. 3, Section 1V.A., Sched.1
ISO Schedule 3	FERC Tariff No. 3, Section 1V.A., Sched.3
Black Start Expense	FERC Tariff No. 3, Section II, Sched.16
ISO- Load Response Program	FERC Tariff No. 3, Section III, Appendix E
Reliability Must Run (RMR)	FERC Tariff No. 3, Section III, Section III.6
Special Constrained Resource (SCR)	FERC Tariff No. 3, Section II, Schedule 19
VAR Support/NOATT Sch. 2	FERC Tariff No. 3, Section II, Sched.2

2

3 **Q. Are there any new ISO expenses in 2005 for which the Company is requesting recovery?**

4 A. Yes, WMECO began receiving three new charges related to transmission system reliability costs in
5 2005. SCR charges began in the June 2005 ISO bill, Load Response charges began in the July
6 2005 bill and RMR charges began in the August 2005 bill. RMR and SCR charges are incurred in
7 order to reimburse generators for providing transmission system reliability, and load response
8 charges are incurred in order to provide funding for the ISO-NE Load Response Program.

9

10 **Q. Describe the RMR costs paid to generators which are needed for system reliability**
11 **purposes.**

12 A. Certain generating units in New England have been designated by ISO-NE as units
13 needed for system reliability. Some of these units have applied to the Federal Energy

1 Regulatory Commission (FERC) for RMR treatment. RMR treatment allows these units
2 to receive cost of service based payments that recognize their reliability value.

3
4 RMR costs are billed to WMECO under NEPOOL Market Rule 1, which is also known
5 as NEPOOL Standard Market Design (SMD). This Market Rule defines designated
6 congestion areas and agreements with resources (generators) in congestion areas. It
7 outlines the negotiation and agreement processes that support the creation and approval
8 of RMR contracts.

9
10 Prior to March 1, 2003, all RMR costs were socialized across New England with all
11 utilities being billed by ISO-NE for their proportionate share based upon their relative
12 load. The NU system was responsible for approximately 25% of these costs and
13 WMECO was allocated approximately 11% of the NU costs. These socialized RMR
14 costs have always been included in and recovered through the Transmission Tracker as
15 part of the ISO-NE expenses. Effective with the March 1, 2003 implementation of
16 SMD by ISO-NE, RMR costs have been allocated to the load zone in which an RMR
17 unit is located, and at the time, there were no identified RMR units in WMECO's load
18 zone. August 2005 is the first instance that WMECO received bills from ISO-NE
19 associated with an RMR agreement post SMD.

1 **Q. How are RMR contracts approved by the FERC?**

2 A. To obtain RMR status, a generator first must secure a designation from ISO-NE that
3 they are needed for reliability purposes. With this designation, the generators then file
4 detailed cost of service information with the FERC requesting RMR treatment. An
5 approved RMR contract results in costs that are payments to private generators in
6 WMECO's load zone, which compensates them for their business costs so that they can
7 remain available to generate electricity primarily during the peak load hours in the
8 summer and winter. In most cases, after ISO-NE finds a reliability need, FERC then
9 approves the requested RMR treatment and ISO-NE begins the process of billing the
10 appropriate load zone for these RMR costs.

11
12 **Q. Have any RMR contracts in WMECO's reliability region been approved by the**
13 **FERC?**

14 A. Yes, in 2005 the FERC approved two RMR contracts subject to refund in WMECO's
15 reliability zone, and is in the process of reviewing another. In addition to these three
16 RMR contracts, ISO-NE has issued several affirmative reliability determinations for
17 which RMR contracts have not yet been filed at FERC. Only actual RMR costs as
18 charged by ISO-NE have been included in the 2005 Transmission Tracker Actual Costs
19 in this filing. The two approved contracts are for the West Springfield Unit 3 owned by
20 Consolidated Edison Energy Massachusetts, Inc. and a generating facility in Agawam
21 which is owned by Berkshire Power Company, LLC.

1
2 **Q. Please describe the SCR costs paid to generators which are needed for system reliability.**

3 A. When establishing operating schedules to maintain area reliability, ISO-NE will commit and
4 dispatch certain generating resources out of merit to maintain operational stability on the
5 transmission system. The incremental costs associated with units running out of merit are
6 charged to the appropriate transmission owner or distribution company. These costs are billed by
7 ISO-NE based on Section II, Schedule 19 of the FERC Electric Tariff No. 3 and have been
8 included in the 2005 Actual Transmission Tracker Costs.

9
10 **Q. Please describe the ISO-NE Load Response Program (LRP).**

11 A. The purpose of the LRP is to facilitate load reduction during periods of peak electricity demand
12 by providing incentives for participants to enroll in the program. The costs of the program are
13 socialized across New England and allocated to WMECO based on FERC Tariff No. 3, Section
14 III, Appendix E, with the majority of costs being allocated based on Regional Network Service
15 (RNS) load.

16
17 **Q. Are there any other ISO expenses that you would like to describe?**

18 A. Yes, I would like to elaborate on VAR Support and Black Start charges.

19
20 **Q. Please describe the VAR support charges.**

21 A. Transmission voltage reliability requirements for specific areas often require specific

1 equipment to be maintained as part of generating units as well as requiring certain
2 generation units to run out of merit to maintain transmission voltage criteria. The costs
3 associated with these regional requirements are billed to entities with RNS load
4 requirements, such as WMECO, as VAR support. As regional system requirements
5 change over time, VAR support costs have escalated dramatically from approximately
6 \$300,000 per year in 2002 to about \$3 million per year in 2005 for WMECO.

7
8 **Q. What are Black Start costs?**

9 A. These costs are required to support system transmission reliability in the case of a
10 regional blackout. The costs are associated with certain equipment that is needed as part
11 of the overall generation source capability throughout New England.

12
13 **Q. Why do you believe that all of these ISO expenses are recoverable in the**
14 **Transmission Tracker?**

15 A. WMECO tariff MDTE No. 1028B states that "The Transmission Cost Adjustment shall recover
16 from customers taking transmission service under the Company's rates, the charges under the
17 Company's FERC approved transmission tariffs, or charges billed to the Company by any other
18 transmission provider, and by other regional transmission or operating entities, such as
19 NEPOOL, a regional transmission group (RTG), an independent system operator (ISO), or other
20 regional body, in the event that they are authorized to bill the Company directly for their services
21 and shall include any other charges relating to the stability of the transmission system which the

1 Company is authorized to recover from retail customers by order of the regulatory agency having
2 jurisdiction over such charges.” All of the ISO-NE expenses fall into the category of costs that
3 are recoverable under the tariff.

4

5 **Q. Does this conclude your testimony?**

6 **A. Yes, it does.**

**Exhibits of
Robert A. Baumann**

Exhibits

RAB -1 Default Service Reconciliation – January 2005 – December 2005
Default Service Revenue
Default Service Expense

Exhibit RAB-1

Western Massachusetts Electric Company
Default Service Reconciliation
January 2005 - December 2005

Month	Cumulative Over/(Under) Beginning Balance (a)	Default Service Revenue (b)	Default Service Expense (c)	Monthly Over/(Under) (d)	Cumulative Over/(Under) Ending Balance (e)	Balance Subject to Interest (f)	Interest Rate (g)	Interest (h)	Cumulative Interest (i)
Jan-05	\$	6,267,850	\$ 7,017,822	\$ (749,972)	\$ (749,972)	\$ (374,986)	2.38%	\$ (744)	\$ (744)
Feb-05	(750,716)	5,061,120	6,045,285	(984,165)	(1,734,881)	(1,242,799)	2.38%	(2,465)	(3,209)
Mar-05	(1,737,346)	21,047,751	20,717,153	330,598	(1,406,748)	(1,572,047)	2.38%	(3,118)	(6,326)
Apr-05	(1,409,866)	13,406,819	15,611,387	(2,204,568)	(3,611,316)	(2,512,150)	2.38%	(4,982)	(11,309)
May-05	(3,619,416)	16,281,168	15,437,947	843,221	(2,776,195)	(3,197,805)	2.38%	(6,342)	(17,651)
Jun-05	(2,782,537)	18,387,992	16,742,830	1,645,162	(1,137,375)	(1,959,956)	2.38%	(3,887)	(21,538)
Jul-05	(1,141,263)	20,379,374	20,964,156	(584,782)	(1,726,045)	(1,433,654)	2.38%	(2,843)	(24,382)
Aug-05	(1,728,888)	19,440,907	20,949,636	(1,508,729)	(3,237,617)	(2,483,252)	2.38%	(4,925)	(29,307)
Sep-05	(3,242,542)	16,491,567	15,649,246	842,321	(2,400,221)	(2,821,382)	2.38%	(5,596)	(34,903)
Oct-05	(2,405,817)	18,334,796	18,453,705	(118,909)	(2,524,726)	(2,465,271)	2.38%	(4,889)	(39,792)
Nov-05	(2,529,615)	18,398,082	19,413,336	(1,015,254)	(3,544,869)	(3,037,242)	2.38%	(6,024)	(45,816)
Dec-05	(3,550,893)	23,161,631	23,657,750	(496,119)	(4,047,012)	(3,798,953)	2.38%	(7,535)	(53,351)
Total	\$	196,659,057	\$ 200,660,253						

Cumulative Over/(Under) Collection of Default Service
through December 31, 2005

\$ (4,054,547) (i)

(a) Prior Month Column (e) + Prior Month Column (h)

(b) Page 2

(c) Page 3

(d) Column (b) - Column (c)

(e) Column (a) + Column (d)

(f) [Column (a) + Column (e)] divided by 2

(g) Interest Rate on Customer Deposits

(h) Column (f) multiplied by [Column (g) divided by 12]

(i) Column (h) + Prior Month Column (i)

(j) (Under) Collection Balance of \$ (4,054,547) includes the following:

2005 (Under) recovery \$ (4,001,196) [Total (b) minus Total (c)]

2005 Interest (53,351)

\$ (4,054,547)

Western Massachusetts Electric Company
2005 Default Service Revenue

	Total Default Service Billed Revenue (a)	Change in Unbilled Default Service Revenue (b)	Default Service Revenue (c)
January 2005	\$ 5,886,974	\$ 380,876	\$ 6,267,850
February	5,752,165	(691,046)	5,061,120
March	18,758,726	2,289,025	21,047,751
April	16,399,262	(2,992,443)	13,406,819
May	15,528,802	752,366	16,281,168
June	17,119,842	1,268,150	18,387,992
July	19,749,502	629,872	20,379,374
August	20,341,803	(900,896)	19,440,907
September	17,562,213	(1,070,646)	16,491,567
October	17,006,084	1,328,712	18,334,796
November	18,029,814	368,268	18,398,082
December 2005	21,676,046	1,485,585	23,161,631
	<u>\$ 193,811,233</u>	<u>\$ 2,847,824</u>	<u>\$ 196,659,057</u>

(c) Column (a) + Column (b)

Western Massachusetts Electric Company
2005 Default Service Expense

	Total Default Service Bill	Qualifying Facilities (Load Reducers)	Consulting Costs on RFP	GIS Costs	Legal Costs on Standard Offer / Default Service Litigation	Default Service Expense
January 2005 - December 2005						
January	\$ 7,016,906	\$ -	\$ -	\$ -	\$ 916	\$ 7,017,822
February	6,044,182	-	-	-	1,103	6,045,285
March	20,670,576	42,575	-	-	4,002	20,717,153
April	15,503,267	58,008	15,065	-	35,047	15,611,387
May	15,351,758	73,636	-	-	12,553	15,437,947
June	16,670,874	32,050	17,135	-	22,771	16,742,830
July	20,886,198	22,364	-	-	55,594	20,964,156
August	20,889,683	3,546	-	-	56,407	20,949,636
September	15,647,573	1,673	-	-	-	15,649,246
October	18,339,360	114,345	-	-	-	18,453,705
November	19,300,140	109,260	-	-	3,936	19,413,336
December	23,563,498	84,317	-	2,513	7,422	23,657,750
	\$ 199,884,015	\$ 541,774	\$ 32,200	\$ 2,513	\$ 199,751	\$ 200,660,253